

**MEMORANDUM**

TO: File No. SR-CboeBZX-2023-044

FROM: David Remus  
Office of Market Supervision, Division of Trading and Markets

DATE: December 7, 2023

SUBJECT: Meeting with Fidelity re: Wise Origin Bitcoin Trust

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On December 7, 2023, Molly Kim, Thomas McGowan, Stacia Sowerby, and David Remus from the Division of Trading and Markets, and Justin Dobbie and Andrew Schoeffler from the Division of Corporation Finance, participated in a meeting with Kyle Murray and Sarah Tadtman from Cboe BZX, and Shelley Harding, Cynthia Lo Bessette, Gregory Friedman, Mark Roberts, Russell Latham, Jacqueline Durant, Tanya Schuessler, Terrence Dempsey, and Kristy Croushore, from Fidelity.

The discussion concerned Cboe BZX's proposed rule change to list and trade shares of the Wise Origin Bitcoin Trust under Cboe BZX Rule 14.11(e)(4). Fidelity also provided the attached presentation.

# Bitcoin ETF Workflows

December 2023

# Market Participant Summary

Arbitrage and hedge are more efficient with physical creations. Self-clearing ETF market maker firms can facilitate efficient arbitrage in acting as Agency AP for non-self-clearing ETF market maker firms with Crypto Affiliates. Allowing for physical creation and redemption is critical to enhance trading efficiency and secondary market pricing for all participants.

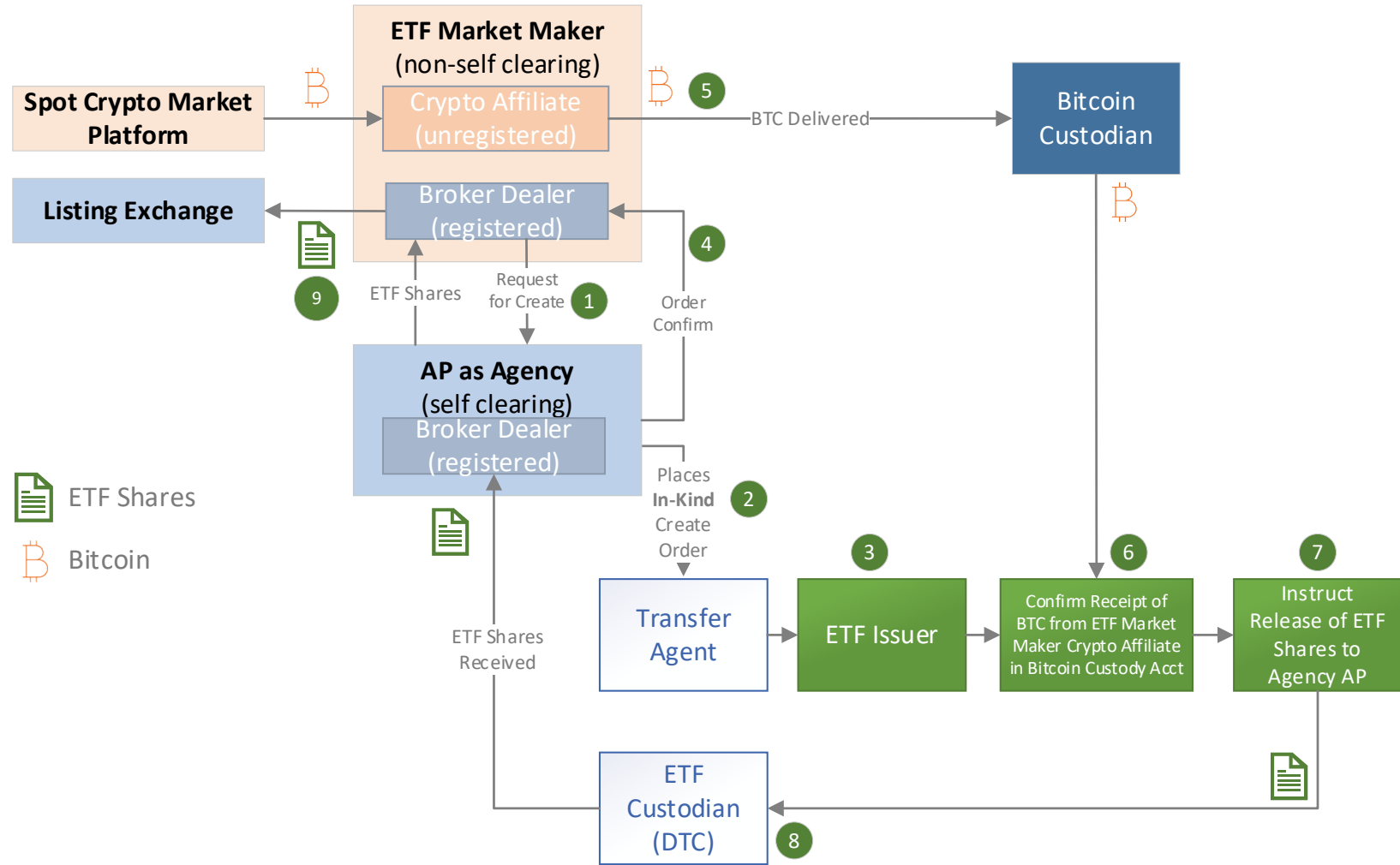
Entity Type	Market Participant Type	DTC member [self-clearing]	AP Agreement	Broker Dealer	Crypto Affiliate	Order Delivery Option
Authorized Participant	Full-Service firm	YES	YES	YES	YES	Physical
	Self-clearing ETF market maker firm acting as Agency AP on behalf of Non-self-clearing ETF market maker firm with Crypto Affiliate	YES	YES	YES		Physical when acting as Agency AP on behalf of Non-self-clearing ETF Market Maker Firm
ETF Market Makers	Non-self clearing ETF Market Maker firm with Crypto Affiliate	NO	NO Create via Agency AP	YES	YES	Physical

Note: Registered Broker Dealer entities do not touch the coin in any category

- **Authorized Participant:** Registered Broker Dealer provides DTC clearing services and has Executed AP Agreements with Issuer. AP Agreements are explicit in defining roles and responsibilities of the different entities involved.
- **Full Service:** Firm with full capabilities including DTC clearing, registered as a Broker Dealer and has a Crypto affiliate
- **ETF Market Maker:** Trading firm that makes markets in ETFs, handling various types of ETF order flow including retail, institutional and advisor platform trading. Lacks self clearing ability for ETF shares via DTC.
- **Agency AP:** Authorized Participant acting in a clearing capacity for the ETF shares for another ETF Market Maker

# AP as Agency Model: In-Kind Create

Note: Registered Broker Dealer entities do not touch the coin in any workflow

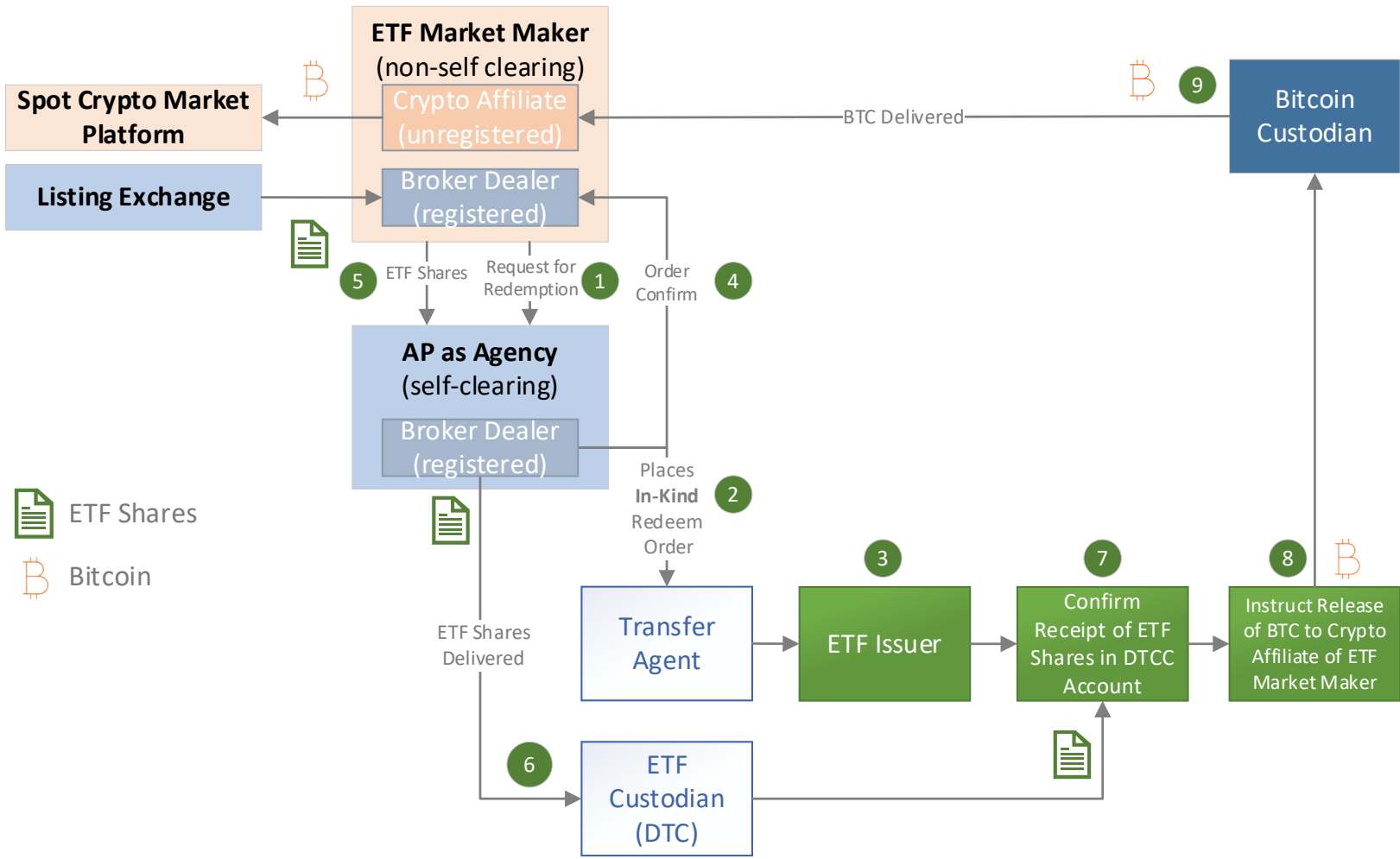


- Trade Date**
  - 1 ETF Market Maker requests AP (acting as Agency) to facilitate In-Kind Creation for ETF Shares
  - 2 AP (acting as Agency) places In-Kind Create Order with Transfer Agent noting ETF Market Maker entity requesting order
  - 3 Transfer Agent notifies ETF Issuer of In-Kind Order and of ETF Market Maker entity requesting order
  - 4 AP (acting as Agency) provides order confirm to ETF Market Maker
- Trade Date + 1 [Settlement Date]**
  - 5 Crypto Affiliate delivers required Bitcoin to ETF Bitcoin Custodian
  - 6 Upon confirmation of Bitcoin received, Bitcoin Custodian notifies ETF Issuer/Administrator
  - 7 ETF Issuer/Administrator instructs ETF Custodian to release ETF Shares to AP (acting as Agency)
  - 8 ETF Custodian releases ETF Shares to AP (acting as Agency) to AP's DTC account
  - 9 AP (as Agency) receives ETF Shares and delivers to ETF Market Maker Broker Dealer for onward delivery



# AP as Agency Model: In-Kind Redeem

Note: Registered Broker Dealer entities do not touch the coin in any workflow



ETF Shares  
Bitcoin

- 1 ETF Market Maker requests AP (acting as Agency) to facilitate In-Kind Redemption for ETF Shares
- 2 AP (acting as Agency) places In-Kind Redeem Order with Transfer Agent noting ETF Market Maker entity requesting order
- 3 Transfer Agent notifies ETF Issuer of In-Kind Order and of ETF Market Maker entity requesting order
- 4 AP (acting as Agency) provides order confirm to ETF Market Maker
- 5 ETF Market Maker delivers ETF Shares to AP (acting as Agency)
- 6 AP (acting as Agency) delivers ETF Shares to ETF Custodian's account at DTC
- 7 ETF Custodian notifies ETF Issuer/Administrator of receipt of ETF Shares into DTC account
- 8 ETF Issuer/Administrator instructs the release of Bitcoin at the ETF Bitcoin Custodian to the Crypto Affiliate of ETF Market Maker
- 9 ETF Bitcoin Custodian delivers Bitcoin to Crypto Affiliate

